

**TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

FINANCIAL STATEMENT**

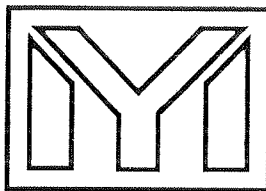
June 30, 2013

TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO. 607
FINANCIAL STATEMENT
For the Year Ended
June 30, 2013
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For the Year Ended
June 30, 2013
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YERKES & MICHELS, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

John D. Carroll, CPA
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American Institute of Certified Public Accountants
Kansas Society of Certified Public Accountants
An Independent C.P.A. Firm

INDEPENDENT AUDITORS' REPORT

Tri-County Special Education
Cooperative No. 607
Independence, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Tri-County Special Education Cooperative No. 607, Independence, Kansas, as of and for the year ended June 30, 2013 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Tri-County Special Education Cooperative No. 607 to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the effects of the matters discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Tri-County Special Education Cooperative No. 607, as of June 30, 2013 or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting


In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Tri-County Special Education Cooperative No. 607, as of June 30, 2013, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the June 30, 2013 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, individual fund schedules of regulatory basis receipts and expenditures – actual and budget, schedule of regulatory basis receipts and expenditures – (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of analysis and are not a required part of the June 30, 2013 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards (Schedule 3 as listed in the table of contents) is presented for the purposed of additional analysis as required by U.S. Office of Management Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the June 30, 2013 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2014, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.


YERKES & MICHELS, CPA, LLC
Independence, Kansas

January 3, 2014

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
Regulatory Basis
For the Fiscal Year Ended June 30, 2013

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance July 1, 2012</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance June 30, 2013</u>	<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance June 30, 2013</u>
Governmental Type Funds:							
General Fund	\$ 2,113,818.83	-	\$ 9,286,389.28	\$ 9,540,111.68	\$ 1,860,096.43	\$ 11,187.74	\$ 1,871,284.17
Special Purpose Funds:							
Inservise Fund	10,764.44	-	40,000.00	49,500.00	1,264.44		1,264.44
SPECTRA Fund	852,997.68	-	1,622,740.41	1,788,976.23	686,761.86	3,330.70	690,092.56
SEK Academy General Fund	52,958.81	-	372,509.00	377,321.50	48,146.31		48,146.31
Facilities Budget Fund	491,596.29	-	8,403.71	23,650.89	476,349.11	2,100.00	478,449.11
Continuous Improvement Grant Fund	12,705.58	-	71,872.00	77,031.44	7,546.14	1,398.95	8,945.09
Tri-Co Fund	31,924.54	-	52,892.52	54,050.05	30,767.01		30,767.01
Total Reporting Entity	\$ 3,566,766.17	\$ -	\$ 11,454,806.92	\$ 11,910,641.79	\$ 3,110,931.30	\$ 18,017.39	\$ 3,128,948.69
<u>Composition of Cash</u>							
COMMUNITY NATIONAL BANK, INDEPENDENCE, KANSAS							
						\$ 1,800,867.12	
Checking Account - Operating #1919128791						1,500.00	
Checking Account - Petty Cash #1919128790						386,130.47	
Checking Account - Operating #1919162804						30,767.01	
Checking Account - Tri-Co #1919128793						590,627.82	
Certificate of Deposit #53785						319,056.27	
Certificate of Deposit #53948							3,128,948.69
Total							\$ 3,128,948.69

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

NOTES TO FINANCIAL STATEMENT

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1A. FINANCIAL REPORTING ENTITY

Tri-County Special Education Cooperative No. 607 is a municipal corporation governed by an appointed seven-member board. The regulatory basis financial statements include the transactions of the primary government.

The Cooperative's summary of receipts, expenditures and unencumbered cash includes the accounts of all the Cooperative's operations. The Cooperative's major operation is to provide services to exceptional children ranging in age from birth to 21 years. The administrative office is centrally located and supported by seven Unified School Districts through a cooperative inter-local agreement. The scope of the entity for financial reporting purposes is designed as those funds for which the Cooperative has oversight responsibility and is primarily accountable. Fiscal management responsibility is control of the collection and disbursement of funds. The Cooperative is governed by a board consisting of one representative from each of the seven participating school districts.

1B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles generally accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Cooperative to use the regulatory basis of accounting.

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities.

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

TRI-COUNTY SPECIAL EDUCATION
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NOTES TO FINANCIAL STATEMENT

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

The following types of funds comprise the financial activities of Tri-County Special Education Cooperative No. 607, for the year ended June 30, 2013:

GOVERNMENTAL FUNDS

General Fund—to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds—to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

1C. REIMBURSEMENTS

The Cooperative records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as an increase in revenue.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2A. BUDGETARY INFORMATION

The budgetary process for Tri-County Special Education Cooperative is different from that of a Unified School District. Tri-County does not receive any local tax money directly. They prepare a budget which is approved by the Board, but not required to be published. Their main source of funds is from the Unified School Districts, which are members of the Cooperative, State of Kansas, and federal funding. Any local tax money received comes through the member Unified School Districts and is part of those Districts' published budget.

2B. COMPLIANCE WITH KANSAS STATUTES AND OTHER FINANCE RELATED LEGAL MATTERS

Management of the Cooperative is not aware of any violations of compliance with Kansas Statutes or violations of other finance related legal matters.

TRI-COUNTY SPECIAL EDUCATION
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INDEPENDENCE, KANSAS

NOTES TO FINANCIAL STATEMENT

June 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

At June 30, 2013, the Cooperative had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Cooperative has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Cooperative's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Cooperative has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Cooperative may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%.

At June 30, 2013, the carrying amount of the Cooperative's deposits, including certificates of deposit, was \$3,128,948.69. The bank balance was \$4,129,271.97. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was held by one bank, resulting in a concentration of credit risk. Of the bank balance \$250,000.00 was covered by FDIC insurance, and \$3,879,271.97 was collateralized by pledged securities held by the pledging financial institution's agents in the Cooperative's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

TRI-COUNTY SPECIAL EDUCATION
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NOTES TO FINANCIAL STATEMENT

June 30, 2013

NOTE 4 – LONG-TERM DEBT

For the fiscal year ended June 30, 2013 no long-term debt was outstanding.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan description. The Cooperative participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by law. KPERS provides retirement benefits, life insurance, disability benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

NOTE 6 – INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Facilities Budget Fund	\$ 8,403.71

NOTE 7 - RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Cooperative carries commercial insurance. Settlements of claims resulting from these risks have not exceeded coverage during the past three fiscal years.

TRI-COUNTY SPECIAL EDUCATION
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INDEPENDENCE, KANSAS

NOTES TO FINANCIAL STATEMENT

June 30, 2013

NOTE 8 - COMPENSATED ABSENCES - EMPLOYEE VACATION AND SICK PAY

8A. Sick Leave

The board will provide sick leave of ten (10) days at the beginning of the contract year for all certified staff. The sick leave will be credited on the first day taught and will be prorated if a staff member is employed for less than full time or a complete year. Leaves of less than one half day will be counted as one half day, more than one half day will be counted as one full day. Sick leave can accumulate to fifty (50) days for a maximum of sixty (60) days of usable sick leave per school term. If the staff member does not have fifty (50) days accumulated leave, the days remaining at the end of the contract year will be credited to accumulated leave and carried to the next contract year. The ten (10) days granted under the Temporary Leave fund (see next paragraph) must be used before any accumulated leave may be used. Sick leave may be used for sickness, disability, and bereavement.

8B. Temporary Leave

A Temporary Leave Fund will be established for each certified staff member with fifty (50) accumulated sick leave days prior to the current contract year for \$750.00 (10 @\$75.00 per day). Each absence, sick leave and bereavement leave, will cause a reduction to be charged to the fund. The amount remaining in the fund at the end of the contract year will be paid on or before the June 24th paycheck, provided the staff member has accumulated leave of fifty (50) days remaining. Temporary leave days (10) per school term for those eligible must be charged before a staff member can draw on accumulated leave.

8C. Personal Leave

Personal business leave must be requested in advance and on the proper form provided by the Director. Two (2) days personal business leave will be allowed for all certified/licensed staff each year. Certified/licensed staff may not take personal business leave on the day preceding or the day following a holiday or during the first and last week of school except under extenuating circumstances and with the Director's approval. For employees with five (5) or more years of experience, one (1) unused personal leave day per year can be added to the following year with a total accumulation not to exceed three (3) personal leave days. Teachers that have at least five years continuous employment with Tri-County Special Education Interlocal #607 will be paid \$75.00 for one (1) unused personal leave as long as they began the school year with three (3) accumulated days of personal leave, and have not used over one of those days by the end of the school year.

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

NOTES TO FINANCIAL STATEMENT

June 30, 2013

NOTE 8 - COMPENSATED ABSENCES - EMPLOYEE VACATION AND SICK PAY (cont'd)

8D. Vacation

Employees with 12 month contracts earn vacation according to the following schedule:

<u>Years of Service</u>	<u>Vacation Earned</u>
1-2	1 week
3-7	2 weeks
8-14	3 weeks
15 & over	4 weeks

The liability for accrued sick leave, temporary leave, personal leave and vacation days is not reflected on the financial statements. Neither the actual or estimated liability was available at June 30, 2013. The cost of vacation and sick pay are recognized as expenditures when paid.

NOTE 9 – USE OF ESTIMATES

The preparation of regulatory basis financial statements required management to make estimates and assumptions that affect the reported amounts of expenditures during the audit period, encumbrances outstanding and disclosure of contingencies at the end of the audit period. Actual results could differ from the estimates.

NOTE 10 – CONTINGENT LIABILITIES

Management of the Cooperative and its Legal Counsel are not aware of any litigation involving the Cooperative at this time.

NOTE 11 – FLEXIBLE BENEFIT PLAN (I.R.C. SECTION 125)

The Board adopted a salary-reduction flexible benefit plan under Section 125 of the Internal Revenue Code. All full time employees of the Cooperative are eligible to participate in the plan beginning the first day of the month following employment. Each employee may elect to reduce his or her salary to purchase benefits through the plan. Currently benefits offered through the plan involve health insurance, cancer insurance, childcare expenses and unreimbursed medical expenses.

TRI-COUNTY SPECIAL EDUCATION
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NOTES TO FINANCIAL STATEMENT

June 30, 2013

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Cooperative makes health care benefits available to former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Cooperative under this program.

**TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS**

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2013

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SUMMARY OF EXPENDITURES -
ACTUAL AND BUDGET
Regulatory Basis
For the Fiscal Year Ended June 30, 2013

<u>Fund</u>	<u>Approved Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over (Under)</u>
Governmental Type Funds:					
General Fund	\$ 10,289,853.27	\$ -	\$ 10,289,853.27	\$ 9,540,111.68	\$ (749,741.59)
Special Revenue Funds:					
Inservice Fund	49,628.10		49,628.10	49,500.00	(128.10)
SPECTRA Fund	1,922,147.29		1,922,147.29	1,788,976.23	(133,171.06)
SEK Academy General Fund	407,678.69		407,678.69	377,321.50	(30,357.19)
Facilities Budget Fund	100,000.00		100,000.00	23,650.89	(76,349.11)
Continuous Improvement Grant Fund	75,836.95		75,836.95	77,031.44	1,194.49

SEE NOTE B1 REGARDING BUDGETARY INFORMATION

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regularory Basis

For the Year Ended June 30, 2013

(With Comparative Actual Totals for the Year Ended June 30, 2012)

GENERAL FUND

	Prior Year <u>Actual</u>	<u>CURRENT YEAR</u>		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
CASH RECEIPTS				
School Districts	\$ 2,631,234.83	\$ 2,710,170.84	\$ 2,710,170.00	\$ 0.84
USD's-State Pass Thru Funds	5,022,362.00	4,778,702.00	4,967,000.00	(188,298.00)
Federal Funds	1,685,980.00	1,687,324.00	1,687,324.00	-
Interest	8,221.43	4,109.68	10,000.00	(5,890.32)
Reimbursement of Expense	181,459.09	76,464.64		76,464.64
Miscellaneous	34,725.89	28,161.91	100,000.00	(71,838.09)
Donations	1,148.95	1,456.21		1,456.21
Transfers				-
TOTAL CASH RECEIPTS	<u>\$ 9,565,132.19</u>	<u>\$ 9,286,389.28</u>	<u>\$ 9,474,494.00</u>	<u>\$ (188,104.72)</u>
EXPENDITURES				
Instruction	\$ 7,111,267.60	\$ 7,309,739.18	\$ 7,744,312.75	\$ (434,573.57)
Student Support Services	1,461,312.62	1,299,615.46	1,497,326.67	(197,711.21)
Instructional Support Staff	36,812.72	38,094.79	41,749.70	(3,654.91)
Central Administration	609,160.84	634,086.47	680,493.21	(46,406.74)
Operations and Maintenance	70,522.96	99,993.81	105,621.89	(5,628.08)
Student Transportation Services	176,086.16	145,179.58	214,849.05	(69,669.47)
Food Service	9,393.56	4,998.68	5,500.00	(501.32)
Facilities and Construction				-
Transfers	480,000.00	8,403.71		8,403.71
TOTAL EXPENDITURES	<u>\$ 9,954,556.46</u>	<u>\$ 9,540,111.68</u>	<u>\$ 10,289,853.27</u>	<u>\$ (749,741.59)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (389,424.27)	\$ (253,722.40)		
UNENCUMBERD CASH, BEGINNING	<u>2,503,243.10</u>	<u>2,113,818.83</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 2,113,818.83</u>	<u>\$ 1,860,096.43</u>		

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regularory Basis

For the Year Ended June 30, 2013

(With Comparative Actual Totals for the Year Ended June 30, 2012)

INSERVICE FUND

	Prior Year <u>Actual</u>	<u>CURRENT YEAR</u>			Variance Over Under
		<u>Actual</u>	<u>Budget</u>		
CASH RECEIPTS					
Federal Funds	\$ 50,000.00	\$ 40,000.00	\$ 40,000.00	\$	-
Miscellaneous	10.00				-
TOTAL CASH RECEIPTS	\$ 50,010.00	\$ 40,000.00	\$ 40,000.00	\$	-
EXPENDITURES					
Instruction	\$ 11,604.87	\$ 6,538.86	\$ 15,500.00	\$	(8,961.14)
Student Support Services	37,575.42	39,449.65	30,878.10		8,571.55
Central Administration	3,292.32	3,511.49	3,250.00		261.49
Transfers	20,000.00	-			-
TOTAL EXPENDITURES	\$ 72,472.61	\$ 49,500.00	\$ 49,628.10	\$	(128.10)
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (22,462.61)	\$ (9,500.00)			
UNENCUMBERD CASH, BEGINNING	33,227.05	10,764.44			
UNENCUMBERED CASH, ENDING	\$ 10,764.44	\$ 1,264.44			

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regularory Basis

For the Year Ended June 30, 2013

(With Comparative Actual Totals for the Year Ended June 30, 2012)

SPECTRA FUND

	Prior Year <u>Actual</u>	<u>CURRENT YEAR</u>			Variance Over Under
		<u>Actual</u>	<u>Budget</u>		
CASH RECEIPTS					
SEK Educational Service Center	\$ 645,370.71	\$ 628,330.25	\$ 675,000.00	\$ (46,669.75)	
USD's-Tuition	239,203.15	246,379.16	246,380.00	(0.84)	
USD's-State Pass Thru Funds	700,416.00	748,031.00	754,465.00	(6,434.00)	
Transfers				-	
Miscellaneous	523.00	-		-	
TOTAL CASH RECEIPTS	\$ 1,585,512.86	\$ 1,622,740.41	\$ 1,675,845.00	\$ (53,104.59)	
EXPENDITURES					
Instruction	\$ 1,742,597.77	\$ 1,773,982.65	\$ 1,891,397.29	\$ (117,414.64)	
Student Support Services	38,294.73	14,993.58	30,750.00	(15,756.42)	
Capital Outlay	22,465.74		-	-	
TOTAL EXPENDITURES	\$ 1,803,358.24	\$ 1,788,976.23	\$ 1,922,147.29	\$ (133,171.06)	
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (217,845.38)	\$ (166,235.82)			
UNENCUMBERD CASH, BEGINNING	1,070,843.06	852,997.68			
UNENCUMBERED CASH, ENDING	\$ 852,997.68	\$ 686,761.86			

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regularory Basis

For the Year Ended June 30, 2013

(With Comparative Actual Totals for the Year Ended June 30, 2012)

SEK ACADEMY GENERAL FUND

	Prior Year <u>Actual</u>	<u>CURRENT YEAR</u>		Variance Over Under
		<u>Actual</u>	<u>Budget</u>	
CASH RECEIPTS				
USD's-State Pass Thru Funds	\$ 148,810.00	\$ 204,509.00	\$ 210,860.00	\$ (6,351.00)
Federal Funds	50,000.00	35,000.00	35,000.00	-
School Districts	114,000.00	133,000.00	133,000.00	-
Other	70.74			-
TOTAL CASH RECEIPTS	<u>\$ 312,880.74</u>	<u>\$ 372,509.00</u>	<u>\$ 378,860.00</u>	<u>\$ (6,351.00)</u>
EXPENDITURES				
Instruction	\$ 228,955.29	\$ 232,833.32	\$ 247,678.69	\$ (14,845.37)
Institutional Support	128,275.45	143,475.42	158,000.00	(14,524.58)
Food Service	972.31	821.88	1,500.00	(678.12)
Repairs	107.00	190.88	500.00	(309.12)
TOTAL EXPENDITURES	<u>\$ 358,310.05</u>	<u>\$ 377,321.50</u>	<u>\$ 407,678.69</u>	<u>\$ (30,357.19)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (45,429.31)	\$ (4,812.50)		
UNENCUMBERED CASH, BEGINNING	<u>98,388.12</u>	<u>52,958.81</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 52,958.81</u>	<u>\$ 48,146.31</u>		

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS
Regularory Basis
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended June 30, 2013

(With Comparative Actual Totals for the Year Ended June 30, 2012)

FACILITIES BUDGET FUND

	Prior Year <u>Actual</u>	<u>CURRENT YEAR</u>			Variance Over Under
		<u>Actual</u>	<u>Budget</u>		
CASH RECEIPTS					
Federal Funds	\$ -	\$ -	\$ -	\$ -	
Transfers	500,000.00	8,403.71			8,403.71
Other					-
TOTAL CASH RECEIPTS	<u>\$ 500,000.00</u>	<u>\$ 8,403.71</u>	<u>\$ -</u>	<u>\$ 8,403.71</u>	
EXPENDITURES					
Repairs	\$ 8,403.71	\$ 10,050.89	\$ 15,000.00	\$ (4,949.11)	
Construction			50,000.00	(50,000.00)	
Renovations & Remodeling		13,600.00	35,000.00	(21,400.00)	
TOTAL EXPENDITURES	<u>\$ 8,403.71</u>	<u>\$ 23,650.89</u>	<u>\$ 100,000.00</u>	<u>\$ (76,349.11)</u>	
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 491,596.29	\$ (15,247.18)			
UNENCUMBERED CASH, BEGINNING	-	491,596.29			
UNENCUMBERED CASH, ENDING	<u>\$ 491,596.29</u>	<u>\$ 476,349.11</u>			

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regularory Basis
For the Year Ended June 30, 2013

(With Comparative Actual Totals for the Year Ended June 30, 2012)

CONTINUOUS IMPROVEMENT GRANT FUND

	Prior Year <u>Actual</u>	<u>CURRENT YEAR</u>			Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>		
CASH RECEIPTS					
Federal Funds	\$ 70,872.00	\$ 71,872.00	\$ 71,872.00	\$	-
Miscellaneous					-
TOTAL CASH RECEIPTS	<u>\$ 70,872.00</u>	<u>\$ 71,872.00</u>	<u>\$ 71,872.00</u>	<u>\$</u>	<u>-</u>
EXPENDITURES					
Instruction	\$ 71,610.13	\$ 75,489.74	\$ 72,836.95	\$	2,652.79
Contracted Social Work Service	2,443.55	1,541.70	3,000.00		(1,458.30)
Transfers					-
TOTAL EXPENDITURES	<u>\$ 74,053.68</u>	<u>\$ 77,031.44</u>	<u>\$ 75,836.95</u>	<u>\$</u>	<u>1,194.49</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (3,181.68)	\$ (5,159.44)			
UNENCUMBERED CASH, BEGINNING	<u>15,887.26</u>	<u>12,705.58</u>			
UNENCUMBERED CASH, ENDING	<u>\$ 12,705.58</u>	<u>\$ 7,546.14</u>			

TRI-COUNTY SPECIAL EDUCATION
COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regularory Basis
For the Year Ended June 30, 2013

(With Comparative Actual Totals for the Year Ended June 30, 2012)

TRI-CO FUND

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
Construction Projects	\$ 41,123.94	\$ 35,182.48
Cookie Sales	3,793.02	11,747.48
Crafts	-	829.12
Reimbursements and Miscellaneous	3,685.46	5,133.74
TOTAL CASH RECEIPTS	<u>\$ 48,602.42</u>	<u>\$ 52,892.82</u>
EXPENDITURES		
Construction Projects	\$ 39,767.87	\$ 35,940.10
Cookies	4,094.76	12,497.38
Crafts	455.29	755.72
Reimbursements and Miscellaneous	3,283.54	4,856.85
TOTAL EXPENDITURES	<u>\$ 47,601.46</u>	<u>\$ 54,050.05</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 1,000.96	\$ (1,157.23)
UNENCUMBERED CASH, BEGINNING	<u>30,923.58</u>	<u>31,924.54</u>
UNENCUMBERED CASH, ENDING	<u>\$ 31,924.54</u>	<u>\$ 30,767.31</u>

TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Schedule 3
Page 1 of 1

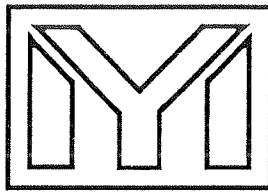
<u>Agency:</u>	<u>CFDA Number</u>	<u>Expenditures (Regulatory Basis)</u>
U.S. Department of Education:		
Passed through the Kansas Department of Education:		
Special Education Cluster (IDEA)		
IDEA Title VI-Part B, IEP	84.027	\$ 1,714,509.00
IDEA Title VI-Part B, TIP	84.027	71,872.00
IDEA Title VI-Part B Preschool Grants	84.173	<u>47,815.00</u>
Total Special Education Cluster		<u>\$ 1,834,196.00</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 1,834,196.00</u></u>

TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KS
Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of The State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable and encumbrances.



YERKES & MICHELS, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

John D. Carroll, CPA
Carmen R. Duroni, CPA

Randy Hoffman

American Institute of Certified Public Accountants
Kansas Society of Certified Public Accountants
An Independent C.P.A. Firm

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

Board of Education
Tri-County Special Education Cooperative No. 607
Independence, KS 67301

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*, the regulatory basis financial statement of Tri-County Special Education Cooperative No. 607, Independence, Kansas, as of and for the year ended June 30, 2013, and the related notes to the financial statement, which comprise Tri-County Special Education Cooperative No. 607, Independence, Kansas's basic financial statement, and have issued our report thereon dated January 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's regulatory basis financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

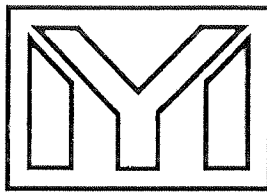
We noted certain other matters that we reported to management of the Cooperative in a separate letter dated January 3, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose


YERKES & MICHELSON, CPA, LLC
Independence, KS

January 3, 2014



YERKES & MICHELS, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

John D. Carroll, CPA
Carmen R. Duroni, CPA

Randy Hoffman

American Institute of Certified Public Accountants
Kansas Society of Certified Public Accountants
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

Board of Education
Tri-County Special Education Cooperative No. 607
Independence, KS 67301

Report on Compliance for Each Major Federal Program

We have audited Tri-County Special Education Cooperative No. 607, Independence, Kansas's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Cooperative's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cooperative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Kansas Municipal Audit Guide*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Cooperative's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Tri-County Special Education Cooperative No. 607, Independence, Kansas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.


Internal Control Over Compliance

Management of Tri-County Special Education Cooperative No. 607, Independence, Kansas, is responsible for establishing and maintaining effective internal control over compliance the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cooperative's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


YERKES & MICHELS, CPA, LLC
Independence, Kansas

January 3, 2014

TRI-COUNTY EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes _____ No X

Significant deficiency(ies) identified? Yes _____ No X

Noncompliance material to financial statement noted? Yes _____ No X

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes _____ No X

Significant deficiency(ies) identified? Yes _____ No X

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to
Be reported in accordance with Section 510(a) of
OMB Circular A-133?

Yes _____ No X

Identification of major programs: Special Education Cluster (CFDA #84.027 & #84.173)

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

DEPARTMENT OF EDUCATION

Special Education Cluster (IDEA) - CFDA #84.027 and #84.173

No matters reported.

TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2013

There were no findings in the prior year audit, nor were there any unresolved findings from further preceding audit periods.